

2018

## Business Plan Project

Hejun Xu  
*Sotheby's Institute of Art*

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# SIA MASTER PROJECT

Business Plan Project

## Abstract

*The business plan is to build an online trade platform dedicated only to selling ceramic art and design in China, our mission is to provide high quality and modern design of ceramic art to middle - and upper - middle class of the country, and is to also reinvigorate the country's tradition and culture of aesthetic object appreciating*

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## Executive Summary

### **Mission:**

Tranquil is an online trade platform dedicated only to selling ceramic art and design in China, our mission is to provide high quality and modern design of ceramic art to middle - and upper - middle class of the country, and is to also reinvigorate the country's tradition and culture of aesthetic object appreciating, which had been favored and commonly practiced by Chinese literati population, now among Chinese well-educated middle- and upper-middle class, which is experiencing an increasing standard on living and quality of life

Products available in Tranquil for sale will be various in prices, mediums and styles, from preciously artist-handcrafted potteries or ceramics sold in limited editions, to well-designed ceramic products produced in limited quantities; and from expensive ceramic art with investment potentials to decorative potteries and ceramics with affordable prices.

### **Problem:**

Based on a market analysis report of 2018 released by a Chinese news organization, *Wen Chuang Zi Xun*, there are over 2,000<sup>1</sup> art e-commerce platforms actively running in China now; however, most of them are horizontal e-commerce businesses which,

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<sup>1</sup> 文创资讯, “艺术品电商不除三大症结, 将成为黄粱一梦”, Last modified Feb 14, 2018, Accessed Dec 18, 2018, <https://www.huxiu.com/article/233190.htm>

similar with the Amazon, the eBay or the Alibaba.com, sells art and design products from a large number of categories, from decorative paintings, calligraphies, prints, atheistic objects to sculptures; and potteries and ceramics are commonly at the “Others” category, if compared with the heavy focus and advanced product classification of these sites over decorative paintings and sculptures, ceramic art and design products have been poorly categorized and valued by them.

There are some stores directly operated by ceramic manufacturers and artists’ studios available at the Alibaba.com and other B2C online retail platforms that specialized on trading ceramic art, and have more advanced and accurate categorizations; however, as widely known that many Chinese B2C online retailers, even the Alibaba.com, have been long criticized for selling fakes online and their incompetence of overseeing the credibility of their online stores and the authentication of their products<sup>2</sup>, thus the ceramic stores on these platforms, their authenticity and credibility, cannot be fully guaranteed; authentication mostly needs to be done by users themselves, through intensive researches over the history and credibility of the ceramic manufacturers, and the reviews of past purchasers posted online.

### **Solution:**

Tranquil is an online trade platform dedicated only to ceramic art and designs, which

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<sup>2</sup> Wang. Selina, “*Alibaba Criticized Again by U.S. for Selling Fakes Online*”, Bloomberg, Last modified Jan 12, 2018, Accessed Dec 18, 2018, <https://www.bloomberg.com/news/articles/2018-01-12/alibaba-criticized-again-by-u-s-for-selling-fakes-online>

has rich and well-organized product type categories and filters that will help our site users with different interests or specific preferences over ceramics and potteries to accurately locate their searching or buying products.

Moreover, Tranquil will implement strict application requirements over the credibility of every ceramic manufacturers trading on the site, a professional vetting process will be given to each product available on the site, thus authenticity, quality and condition guarantees will be given, and ceramic lovers and potential purchasers no longer need to practice the time-consuming search and authentication process, searching for credible ceramic manufacturers and vetting the quality and condition of the manufacturers and their products on their own, Tranquil would bring together all credible and creative ceramic makers.

**Team:**

**Dr. Chang Kow Chuen Rocky, CTO (Chief Technology Officer):** before joining the Tranquil, Dr. Chang was the associate professor at the Department of Computing of The Hong Kong Polytechnic University, and before that Chang was trained and received his post- doctoral training at the Computer Science Department of the IBM Thomas J. Watson Research Center. His studies and researches mainly specialize on internet protocols, data structures and algorithms, and programming.

**Xiaodi Zhang, Chief Product Officer:** Xiaodi's main role in the Tranquil is to oversee



user experience, site design, and the product management and strategy. Before joining us, Xiaodi was the chief Product Officer of 1stdibs.

**Dawei Liu, Vetting Committee Leader:** Dawei is currently serving as the president of Jingdezhen Chinese and Foreign Ceramics Art Association, having rich knowledge and in-depth understanding over Chinese ceramic art design and production.

## Market Analysis

### Chinese Online Retail Market

If saying that the dominance of the U.S. and the U.K. in global economy are benefited from the influences of the Industrial Revolution that began in 18<sup>th</sup> century, the economic miracle that is taking place in China can only be explained by its participation and contribution of the Digital Revolution that started from the 1980s, which has not only increased dramatically Chinese economy but also re-shape the consuming pattern of the country's population. According to the *Chinese Retail Industry Development Report*

(2015- 2016) published by The Ministry of Commerce of the People's Republic of China, the development of online sales in China has witnessed a continuous, consistent and dramatic growth since from 2010 to 2016<sup>3</sup>, hitting \$ 366 billion dollars in 2016, almost as much as in Britain and America combined, and occupying over 12.6% of the

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<sup>3</sup> 中国商务部, “中国零售行业发展报告 (2016/2017 年)”, Accessed Dec 18, 2018, <http://images.mofcom.gov.cn/www/201707/20170703104141651.pdf>

total retail sales of consumer goods (figure 1). And, based on a market report done by The Economist in 2017, over 80% <sup>4</sup>of adults (over 18-yr) in Beijing, Shanghai, Shenzhen and Guangzhou. These numbers have indicated a significantly high degree of acceptance over online retail business, and a fast-growing sophistication of online retail market and online products consumers in China, thus implying high potential of developing e-commerce business in the country and the feasibility of the business plan of the Tranquil – to build an online trade platform in China.

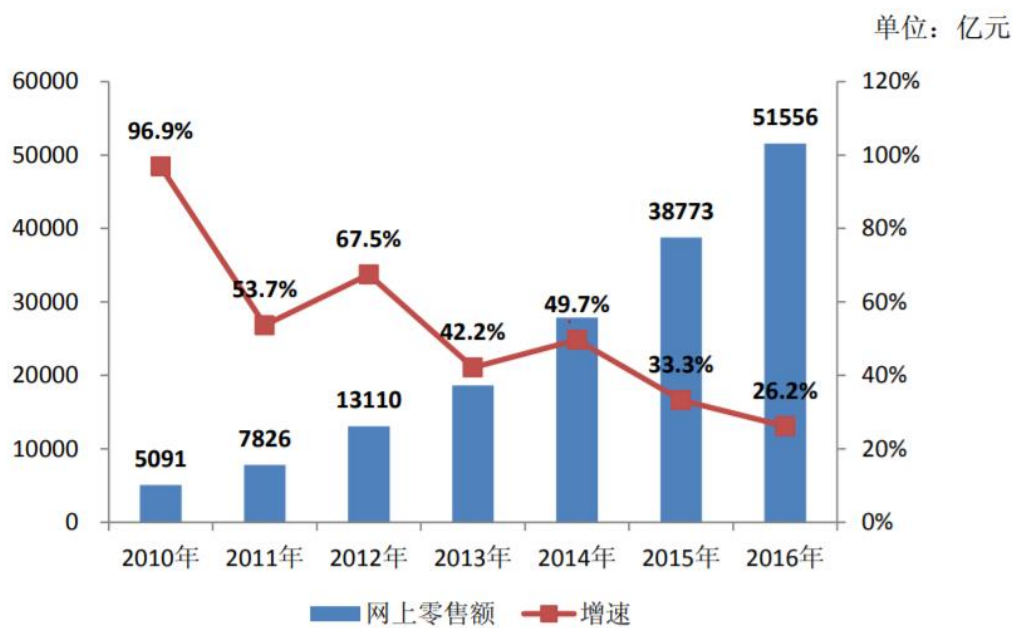


Figure 1 Total Retail Sales of Consumer Goods (Red lines on the chart represents growth rate of online sale values in Chinese online retail market and the blue stripes show the total sale value of each year)

<sup>4</sup> The Economist, "Online retail is booming in China", last modified Oct 26th 2017, Accessed Dec 18, 2018, <https://www.economist.com/special-report/2017/10/26/online-retail-is-booming-in-china>

## **Culture and Tradition of Ceramic Art in China**

China has a long history of producing aesthetic objects, including furniture designs, ceramic art and table accessories, among which ceramic art has the longest history of production, and has made a great artistic achievement in the aspects of artistic design and making-technique. The earliest ceramics in the world believed were produced in China around 15,000 year-ago during the Paleolithic era, as well as the first decorated ceramics, which were also created in China during the Shang Dynasty (c.2070–c. 1600 BCE)<sup>5</sup>. And, since the 9th century China began to trade and export ceramics to many other nations of the world, for the aesthetic brilliance and technical mastery, Chinese ceramics quickly became sought after and led to the development of the world's first mass-production technique born in China; since then, ceramic making became a major industry, whose prosperity continued till early 19<sup>th</sup> century<sup>6</sup>. While, coming to the culture and tradition of the admiration of aesthetic objects in China, no one would deny that the development is largely attributed to the country's rich history and highly developed skills of art and craft production.

The origin and development of the tradition of aesthetic objects and design admiration in China, emerging in the Tang Dynasty (618 AD-907 AD) and prospering in the Song Dynasty (960 AD-1279 AD)<sup>7</sup>, is believed being closely associated with the rise of a

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<sup>5</sup> Miksic. John, *"Chinese Ceramic Production and Trade"*, Oxford Research Encyclopedia of Asian History (Jun 2017), p.1

<sup>6</sup> Ibid, p.2

<sup>7</sup> Christies.Inc, *"Inside the Chinese scholar's studio"*, Accessed Dec 8<sup>th</sup> 2018,

social group – Literati, also known as scholar-bureaucrats, which refers to the politicians appointed and selected through imperial examinations. The test had long existed for many centuries since Wei period (220 AD-265 AD), as well as the literati group; while, a long-lasting social and political stability that started from Tang until mid-Qing dynasty (1644 AD to 1912 AD) had brought China an increasing stability of political environment and led to a dramatic increase in the wealth of the literati, all of which enabled literati began more exquisite pursuits, having increasingly high standard on the aesthetic and artistic quality of art and design; many high-ranking politicians, such as Su Shi (1037–1101) and Zhao Mengfu (1254–1322), were also great artists. Song Huizong, the 8<sup>th</sup> emperor of Song dynasty, beside of his great artistic and calligraphic achievements, under his design idea was to produce a type of ware with the color stimulating “the blue of the sky in a clearing amongst the clouds after rain”<sup>8</sup>, created a new type of ceramic ware known as *Ru* ware.

At that time, one would find in the reading room of a literati paintings hang on walls, delicately hand-crafted furniture properly arranged, and beside of books many aesthetic objects, not only made of precious materials but skillfully designed, exhibited on shelves; owners of such room for sure lived on a luxurious life, but they viewed their interests on art collection and design admiration as an embodiment of a scholar’s intellectual curiosity and aesthetic taste, rather than an showoff of their wealth<sup>9</sup>.

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<https://www.christies.com/features/Scholars-objects-collecting-guide-7228-1.aspx>

<sup>8</sup> Sun (translation quoted); Sotheby's (2012). This description was also applied to the still rarer, and possibly mythical Chai ware of the 10th century, see Gompertz, 79–80 (and note 5); Rawson, 245

<sup>9</sup> Mcgil. Douglas, “*The Art of the Chinese Scholar*”, New York Times, last modified Dec 8, 2018,

About ceramic art of this time, it had witnessed a dramatic development since from the Tang Dynasty, materials and producing-techniques had experienced great innovations, design and style categories had seen a significant expansion, including the Ru ware mentioned above, many other new types of ware had been created during these times.

### **Ceramic Art Market in Contemporary China**

Among the four largest auction houses of world, the Christie's has an entire department named after Chinese Ceramics and Works of Art, the Sotheby's also has a department, though named Chinese Works of Art, placing equally heavy emphasis on Chinese ceramics for that Chinese ceramics have appeared likely at all auctions sales, and about the two largest auction houses in mainland China, the China Guardian and the China Poly both have departments that specializes on ceramic art only, all of which can somehow indicated that there is indeed a strong need and stable market on Chinese ceramics worldwide.

Furthermore, many auction records of recent years on the category of Chinese ceramic art have also indicated that the like that appreciation on ceramics has continued to contemporary China and Chinese art buyers. The most recent record is probably a 1,000-year-old ceramic bowl from Song Dynasty, which was sold at Sotheby's Hong

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<https://www.nytimes.com/1987/11/02/arts/the-art-of-the-chinese-scholar.html>

Kong in 2017 for \$37.7 million<sup>10</sup>. This rare Ru ware bowl broke the previous record of \$36.5 million achieved in 2014 for a Ming Dynasty ceramic cup, which was purchased by a Chinese tycoon; while, among these awe-inspiring auction records, the most dramatic one is probably a “Ding” bowl that was originally purchased from a flea market for \$3 and in 2013 was sold for \$2.2 million in auction<sup>11</sup>.

Beside of auction performance of Chinese ceramic antiques, production of modern and contemporary ceramic art, though no longer a major industry in Contemporary China, remains active. And, many ceramic artworks created by contemporary Chinese ceramic artists could frequent appear in Chinese auction sales, many of whose auction price could reach to 5 million RMB (723, 840.50 USD), which a record of 2015 achieved by ceramic screen titled *Spring Peony* created by ceramic artist Songmao Zhang.

Jingdezhen, a small city in Southern China, has some of the world’s largest and purest deposits of ceramic stone and kaolin, therefore the city has long been a major ceramic provider or producer since the Song dynasty, and such place or importance continue to today.

While, opposite from the high-quality and originality of ancient Chinese ceramics,

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<sup>10</sup> <https://www.sothebys.com/en/slideshows/chinese-ru-ware-washer-shatters-world-record-in-hong-kong> Sotheby’s, “Chinese Ru-Ware Washer Shatters World Record in Hong Kong”, last modified Dec 14, 2014, Accessed Dec 8, 2018, <https://www.sothebys.com/en/slideshows/chinese-ru-ware-washer-shatters-world-record-in-hong-kong>

<sup>11</sup> Sotheby’s, Auction Record, Fine Chinese Art Ceramics and Works of Arts department, Accessed Dec 8, 2018, <http://www.sothebys.com/en/auctions/ecatalogue/2013/chinese-works-of-art-n08974/lot.94.pricehl.html>

contemporary Chinese ceramics, based on findings from a paper by Marris Gillette,<sup>12</sup> constantly reproduce classic Chinese ceramic antiques, extremely lacking creativity; according to Marris, the market is, driven by capitalism and materialism, full of counterfeits, copying mostly the designs auction ceramic “stars”.

According to the study result in a master thesis written by Zhuoran Li, a graduate of Central Academy of Fine Arts in China, the producers or manufacturers of ceramic arts or decorative ceramics can be categorized mainly into four groups: ceramic craftsman/artisan, institutional artists from ceramic-making institution, independent ceramic artist, and ceramic manufacturing entrepreneurs<sup>13</sup>. And, going back to the findings of Marris Gillette in Jingdezhen, he indicated that the distributions of ceramic works is limited within four ways: online stores, off-site retail market store sales, personal connections sales, institutional commissions and gallery representations, among which, based on the study result of Zhuoran Li in his thesis paper, gallery representation has been practiced the least in China; in his paper, Zhuoran interviewed a ceramic art gallery owner<sup>14</sup>, who said that due to the lack of contract awareness and supervision it has been common that many ceramic artists, relying on the gallery for finding buyers, will bypass the gallery to reach an ideal price privately with buyer.

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<sup>12</sup> Gillette, Maris. "Copying, Counterfeiting, and Capitalism in Contemporary China: Jingdezhen's Porcelain Industry." *Modern China* 36, no. 4 (2010): 367-403. <http://www.jstor.org/stable/25699441>.

<sup>13</sup> Zhuoran Li, "Analysis of Ceramic Art in Contemporary Chinese Market", master's thesis, Central Academy of Fine Arts P.24

<sup>14</sup> Ibid, P 59

## **Company and Product Description**

### **Company Description:**

Tranquil means serenity, peace and calm, a feeling I personally have experienced during a tea ceremony, which has been commonly practiced in East Asian countries, including Japan and China; therefore, I pick Tranquil as the name of the company. And, the picture (figure 2) below is the company's logo.



Figure 2 Company Logo

### **Product Description:**

Tranquil is only an online platform that help ceramic lovers and potential purchasers to find credible and reliable ceramic manufactures and artists (or vice versa), thus the online platform and the services provided with the platform are our main product. Our services include vetting and checking condition of each ceramic art and design products, background checking each seller's credibility, synthesizing ceramic art and design



products providers and seller, that have been scattered around online and off-line, into one single platform, which has advanced categorization and user-friendly systems that can help user to easily locate or find any kind ceramics, varied in sizes, materials or functions.

Tranquil Products/Services listed below:

- Centralization of ceramic art market and providers on one platform (free)
- Product Categorization (free)
- Product Listings (Free for the first 50 items of ceramic art and design products, exceeding 50 items, each will be charged \$3 or \$30 per month for company)
- Paid Pricing Services (\$100/year or \$50/ 10 piece)
- Membership Plans (for seller): \$30/month

Membership Deals:

1. Use our shopping cart widget into your own website and sell all your Fine Art America products directly from your own site
  2. Create customized HTML e-mails which you can send to your friends, family, business acquaintances, potential buyers, and more. Send up to 10,000 e-mails at once and track to see who opens each one.
  3. Premium accounts may upload an unlimited number of images. Free accounts are limited to 25 images.
- Advertising Services for Sellers  
**7-day Homepage promotion (\$100/month):** This paid service need to be applied by sellers, once the application being approved, the service will help sellers' product images to stand out on the top of our trading pages.  
**Artist of the day (\$80/day):** A marketing and advertising service will help seller or seller's promoting ceramic artist to be featured with more attentions. Application, including editorial articles that introduce the artist and his/her designs are needed, once being approved, articles of the artist will appear on the homepage of Tranquil featured in the Ceramic Community section.  
**Paid Banner Advertising:** Banner advertisement are scrolling banners. their prices are varied in different locations of the webpages and in different sites, banners on side edges of homepages are \$200/month or \$2,500/year, and that on bottom of homepages are \$150/month or 1,500/yr. Banners on non-homepages, whose prices are also varied in different locations of site, edged banners are \$100/month or \$1,000/yr., bottom banners are \$50/month or \$500/yr.

Or

- **Advertising packages** (include either two of the advertising services listed above)-

\$500/month and \$3,500/yr.

- **Tranquil App:** it will allow mobile shopping and payment.

Tranquil does not have warehouses every major city in China, like what Amazon or DJ.com are doing, to store sellers' products, it will effectively reduce our cost. However, we will provide online sellers with not only detailed guidance on securely packing ceramic art and design products varied in different sizes and materials, but with also packing materials needed for each ceramic ordered online by customers. Once an order placed online, we will mail enough and proper packing materials, plus shipping and return labels, to the order's provider or the seller's address immediately; therefore, with proper packing guidance and material, the damage possibility of fragile ceramics can be more likely reduced and avoided.

Moreover, Tranquil is an online trade platform that get rid of the traditional pricing framework, which has been dominated by third party, such as galleries and art dealers, that give our ceramic artist and sellers full autonomy to determine their creation's prices; however, they should also follow our pricing guidance provided online to each seller on Tranquil. While, the pricing approach on guidance represent the standard pricing approaches that have been practiced in commercial art market, based on cost-based pricing (considering hourly rate and manufacturing cost) , customer value-based pricing (based on reputation, provenance and exhibition history of artist and work) and comparable-based pricing approaches; and when coming to the case of ceramic

manufacturing company whose products had been valued properly and given with a retail price already, they do not have to reprice their products and follow our pricing guidance, but they have to fill a form that can prove the accuracy and appropriation of the retail prices of their ceramics, indicating their pricing procedure and approaches and also proving the credibility of their pricing teams.

### **Ceramic art and design**

ceramics in Tranquil will be various in prices, mediums, styles and functions, from preciously artist-handcrafted ceramics sold in limited editions, to well-designed ceramic products produced in limited quantities instead of mass-production; and from expensive ceramic art with investment potentials to decorative potteries and ceramics with affordable prices.

### **Price Ranges of Ceramic Art and Design Products**

About the price range of the ceramic art and design works available on Tranquil for sale, I will consider a survey finding by Art Tactic as an important supplementary material that help me to determine the price ranges of the products at Tranquil. The research is based on responses of 758 art buyers from all over the world accessed and surveyed through Art Tactic's client mailing list, Facebook and Twitter, and has revealed how much each survey-participant has spent on art and collectibles in 2017 (figure 3) <sup>15</sup>, The finding does not give us a direct answer to our focused question of who would buy art

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<sup>15</sup> ArtTactic, "The Hiscox Online Art Trade Report 2017 - A market yet to awaken?", Available Dec 16, 2017, Accessed on Dec 8, 2018, P.27

in China, but through the price ranges revealed here in the survey result, we could conduct a speculation of art buyers' income levels and thus gain some ideas of who are buying art in global scale. And, because among the 758-surveyed individuals, Asians account for 10% (figure 4) <sup>16</sup>, most of whom are from mainland China, the findings, though not China-specific, are relatively applicable to Chinese art market and buyers.

However, considering the average income differences and currency differences between each country, instead of using the price ranges shown at figure 3, we will set the price ranges of our online ceramic products by considering the buyer 's spending distribution and cost pattern displayed in the Art Tactic research (figure 3). By seeing this cost pattern, we would see that a majority of the survey-takers (50%) spent between \$1,000 and \$50,000 on art each year, which is followed with another 28% spent under \$1,000 each year. If we consider the range between \$1,000 and \$50,000 as a mid-end art market, and the range under \$1,000 as low-end market, we could conclude that there would be a majority of buyers who would more likely to purchase relatively low- and middle-end artworks. Therefore, the ceramic art and design products at Tranquil should mainly have low- and middle- end prices, accounting for over 50 % of our total ceramics selling at Tranquil. While, according the pattern shown below (figure 3), there are still 29% of participants would spend over \$10,000 on art each year, then the high-end market should also be considered by Tranquil, accounting yet for no higher than 29%.

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<sup>16</sup> Ibid, P.26

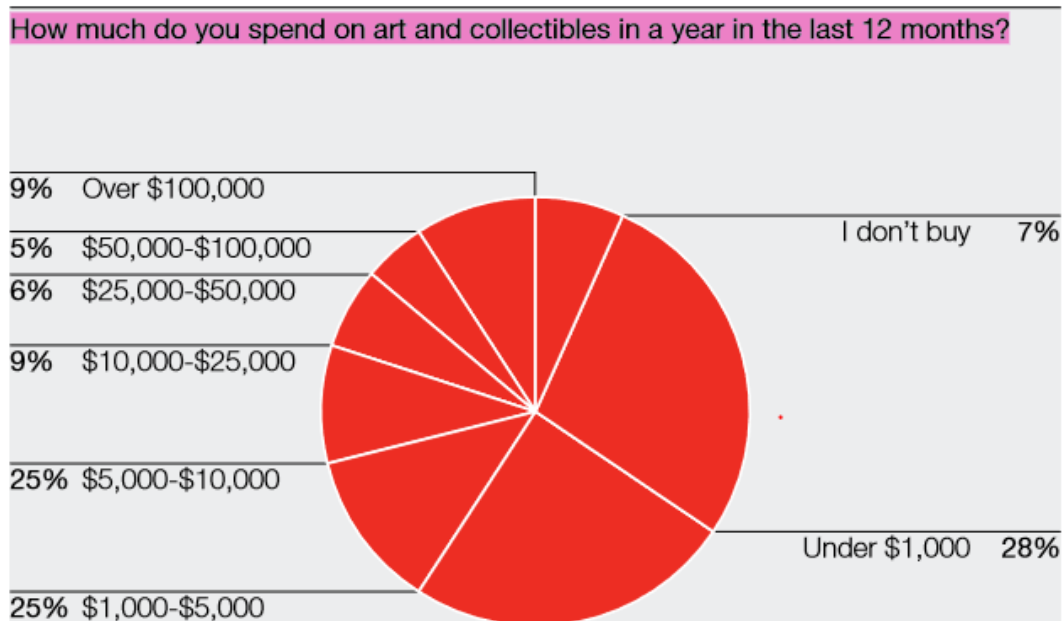
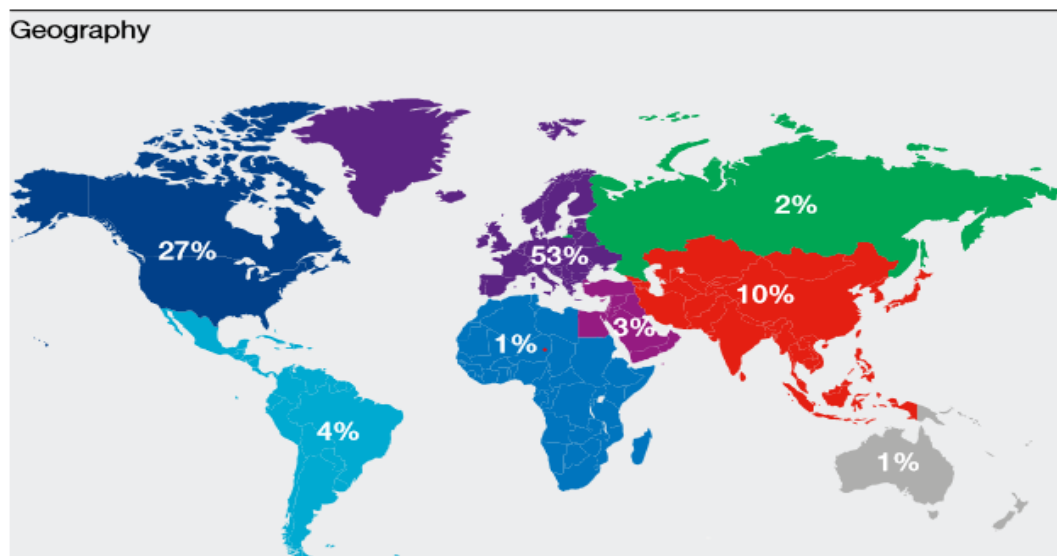


Figure 3 Global Art Spending in 2017



Please note, some figures may not add up due to rounding.

Figure 4 Research Methodology

**Technical Services:** For being an online platform, having a highly efficient website is

important, part of our products. Since our mission is to build an online platform that would synthesize all scattered off-site retailers, independent ceramic artists and other manufacturers together into this one platform Tranquil, and therefore help ceramic lovers to avoid their time of seeking credible ceramic art and manufacturers, our website design must have a user-friendly system that can simplify users' searching process; while, by building an advanced filter system, a high accuracy of reaching results can be ensured.

**Customer Services:** As a third-party that functions to connect ceramic art producers with customers, an effective customer service is highly important. The service must be able to efficiently and accurately deliver the messages of both customers and buyers to each other and ensure effective conversations between the two parties; more specifically, such as shipping, return and refund information should be delivered on time and accurately by customer services between two parties.

**Vetting Services:** Another mission of Tranquil is having professional vetting team and strict rules against counterfeit works, and poor quality and condition, which is also part of our services.

## **Target Market**

To figure out the target market of Tranquil, we must answer the question – who would buy art? However, in reality numbers and demographic information about art

purchasing in China are hard to find; while, a survey conducted by Arts Economists and UBS in 2016 on 2,245 HNWI (High-net-worth individual) in the US, might provide useful insights over the relation between art collection and level of wealth in a general sense and thus give us a clue to answer the question of who would buy art in China.

According to the survey's finding<sup>17</sup> (figure 5), a correlation exists between choices of art collection and levels of wealth, in which higher levels of wealth are attributed to higher rates of art collection behaviors; therefore, we might believe that the behaviors of art collections and purchases are more likely practiced by high-income population, and this correlation might also be applied to Chinses art market.

**Figure 6.12 | Spending on Works of Art / Objects in the Last Two Years**

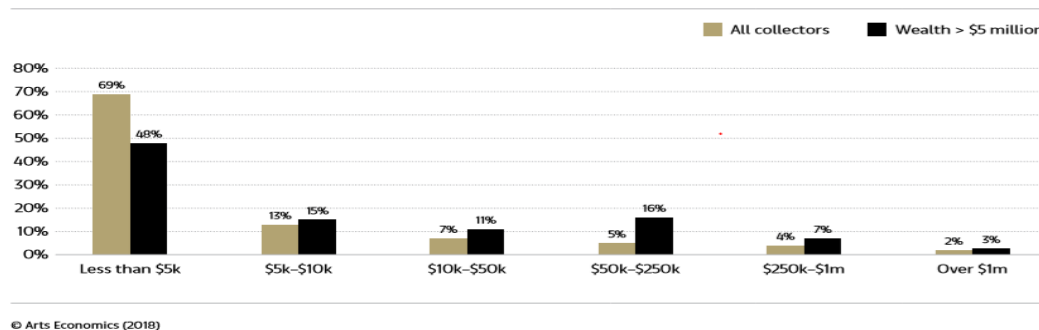


Figure 5 Comparison of Art Spending and Wealth Level

According to the price range given by the survey's finding (figure 3), majority of participants (28%) spent under \$1,000 on art and collectibles in 2017, followed with 25% participants who spent between \$5,000 and \$10,000 on art and collectibles, and

<sup>17</sup> Art Basel and UBS, "The Art Market 2018", Available on Oct 5, 2018, Accessed Dec 8, 2018, P.298, Figure 6.12

another 25%, between \$1,000 to \$5,000; therefore, we could assume here that the disposable income (annual) of a person who buys art and collectibles must be more than \$1,000 / 7,000 RMB, for which we should consider other possible expenditures a person needs make annually, such as expenditures on health, education or entertainment. And, if we consider > **\$1,000/ 7,000 RMB** as a threshold of art purchases and collection and compare it with the average annual disposable incomes of different income groups in China, we would be able to find out who would more likely to buy art and thus locate our target market.

Based on numbers provided by Chinses National Bureau of Statistics, the annual per capita disposable income of urban residents in 2016 was 33,616.25 RMB<sup>18</sup>, and the number of rural residents was 12,363.41RMB<sup>19</sup>; in this case, both annual disposable income exceeds \$1,000/ 7,000 RMB, but considering other possible expenditures that a person needs make annually, such as expenditures on health, education or entertainment, higher disposable income (annual) is attributed to higher possibility of art collection and purchases, therefore urban residents would more likely become our target consumers, whose disposable income was not only higher than that of rural residents but also more largely exceed the \$1,000 threshold.

Moreover, according to a series of statistics released by Chinses National Bureau of

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<sup>18</sup> National Bureau of Statistics of China, Annual per capita disposable income of urban residents in 2016, 2017, <http://data.stats.gov.cn/easyquery.htm?cn=C01&zb=A0A0801&sj=2016>

<sup>19</sup> Ibid



Statistics in 2017 about the income classifications, in which population is divided into five groups based on annual incomes – upper class, upper- middle class, middle class, middle-lower class and lower- class<sup>20</sup>, and about the average disposable incomes of the five groups, the average disposable income of the middle class in 2016 was 20,924 RMB<sup>21</sup>, that of the upper-middle class was 31,990 RMB<sup>22</sup> and that of the upper class was 59,259 RMB<sup>23</sup>. Therefore, considering the (>\$1,000) threshold, we now could make a conclusion here on who more likely buy art in China, they upper-middle class and upper- class populations of China, these groups are more likely to become our target market for Tranquil.

## **Marketing Plan**

Based on numbers provided by Chinses National Bureau of Statistics, which was mentioned above, the annual per capita disposable income of urban residents in 2016 was 33,616.25 RMB, and that of rural residents, much lower, was 12,363.41RMB. Therefore, we could reach a conclusion now that Tranquil’s marketing should mainly focus on urban areas and residents.

Moreover, among these urban population, our marketing should concentrate on Chinese upper – middle and upper- class population; because, according to the market research (figure 2) conducted and mentioned in the last section, we now know that based on the

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<sup>20</sup> Ibid

<sup>21</sup> Ibid

<sup>22</sup> Ibid

<sup>23</sup> Ibid

research findings people who more likely buy art in China are upper – and upper-middle class people.

## Online Marketing

According to The Hiscox Online Art Trade Report 2017 - *A market yet to awaken?*, which was conducted based on the same methodology as shown at the figure 4, among its participants, 10% are Asians, as coming to the question of which social media platforms the participants like to use to access to the art world and its recent information, the survey findings turns out that at the first time in history that the Instagram overtakes the Facebook as the mostly-used or the most common social media channel being used to access to art world information. Therefore, our marketing approaches should consider Instagram as an important marketing platform.

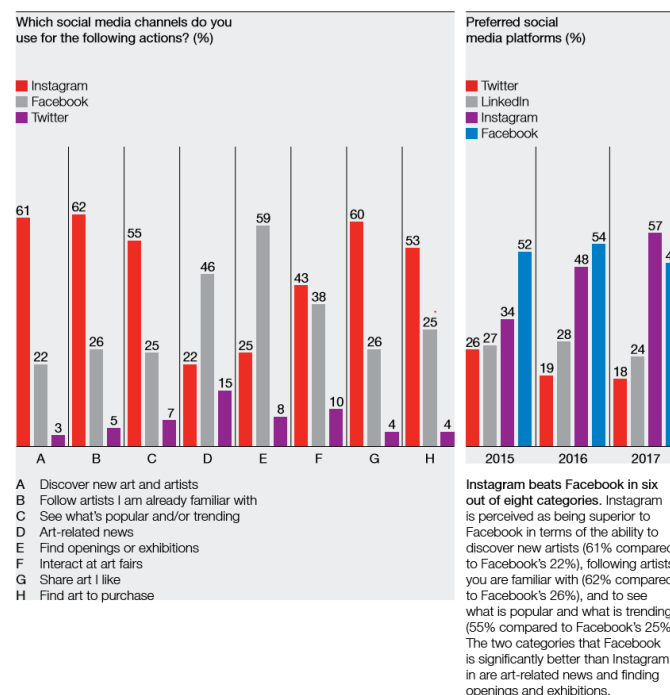


Figure 6 Social Media Channels Uses on Art Relevant Searching

However, considering our market is in China, Instagram has long been banned in this country, though many Chinese art buyers and institutions have alternatives to bypass the “wall”, they account for just small percent of the total population. In fact, WeChat is the most popular and common social media channel in China, which, according to a report by Business Insider published on March 2018, has 1 billion monthly active users<sup>24</sup>. Therefore, to WeChat platform our marketing should place an evenly heavy emphasis on it.

And, considering Instagram as an image-centered social media channel and WeChat as a content-centered one, our marketing content on each social media channel should differentiate from each other, having different content focuses, for example, the marketing content on Instagram should focus on delivering nice pictures and portraits of our ceramic products, revealing the high-quality and delicate design of our ceramics through images (Examples of Instagram Marketing are below) .

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<sup>24</sup> Hollander. Rayna, “WeChat has hit 1 billion monthly active users”, Last modified March 6, 2018, Accessed Dec 8, 2018, <https://www.businessinsider.com/wechat-has-hit-1-billion-monthly-active-users-2018-3>

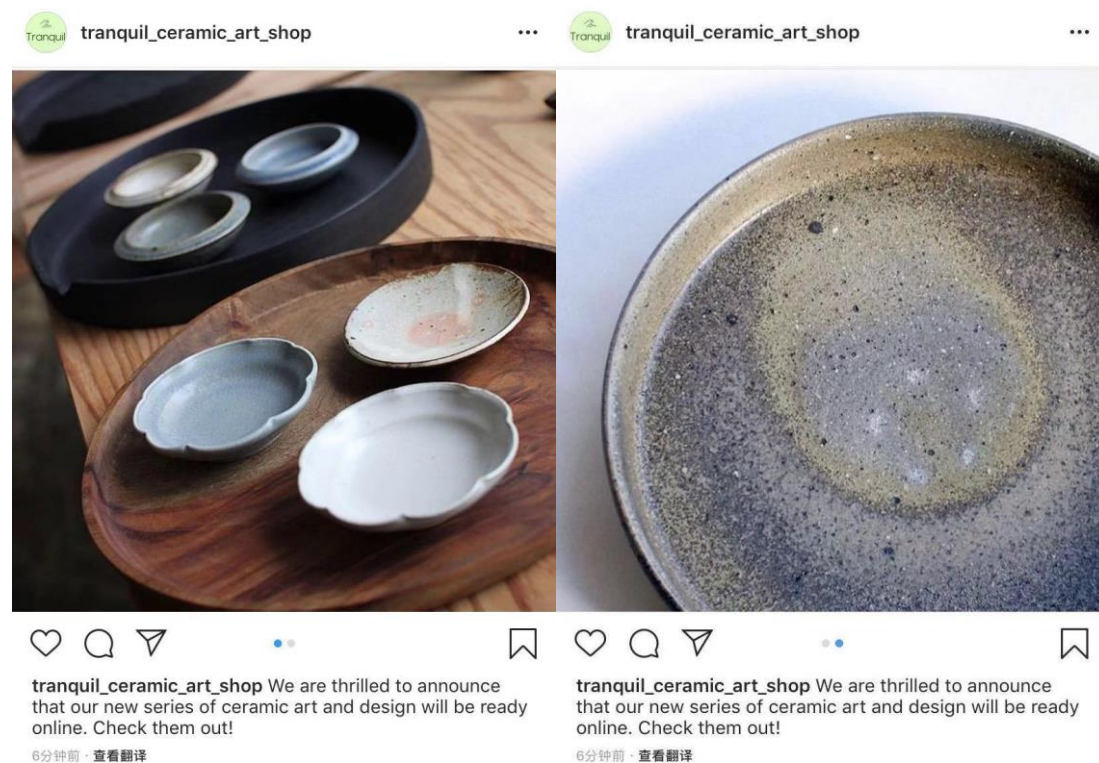


Figure 7 Online Marketing Examples

When coming to WeChat marketing, since it is a content-based channel, publishing editorial articles should be considered as our key marketing method in WeChat, it will corporate weekly and monthly articles with introductions of ceramic history and culture, discussions of the latest news of ceramic art and designs.

### Off-line Marketing Campaign

Although that the Tranquil is an online trade marketplace for ceramic art and designs, off-site marketing is also necessary and important. We will advertise on subway stations of Beijing, Shanghai and Shenzhen, the major transportation of white-collared population in China. Also, in future, we will also place ads on the Didi cars, a Chinese version of Uber, which is considered as another major transportation used commonly

by high-income Chinese white-collared in daily commute; and will also be placed in airport and train stations in future.

Moreover, if saying that our online marketing is mostly to having more people know about our brand and product, our off-side marketing will aim to build more in-depth connection between our brand and potential customers.

Our off-marketing plan is going to create multiple opportunities for our potential customers and ceramic lovers to meet and interreact with each other off-line and on-site; therefore, we will constantly conduct gallery exhibitions of our new series of ceramic art and design, ceramic-art lectures, ceramic artists talks and studio visits. Through conducting these off-line activities, I believe it can help with building brand loyalty, strengthening consumer relationship and finding new potential consumers. Also, according to the art market report, *The Hiscox Online Art Trade Report 2017*, the biggest concern<sup>25</sup> they found among art buyers who are hesitant to buy art online are the concerns of lack of physical inspection of the artwork, the credibility of art sellers, authenticity and condition of the artwork thus cannot be fully ensured; however, through our off-line marketing campaign that conduct on-site activities will create a great opportunity for our potential consumers to physically speculate the quality and design of our ceramics, significantly reducing their concern about the potential quality and condition problem of buying art on online, and it will help to strengthen our brand's

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<sup>25</sup> ArtTactic, "The Hiscox Online Art Trade Report 2017 - A market yet to awaken?", Available Dec 16, 2017, Accessed on Dec 8, 2018, P.2

credibility.

Since Tranquil's market is in China, these on-site activities or off-line marketing campaigns will be placed on Douban.com, a Chinese version of Eventbrite, and these information and timelines will also be included into our weekly and monthly newsletters sent to our registered consumers. Moreover, based on the market research and its findings mentioned at previous section, our target market is between middle-, middle-upper and upper-class population, with more emphasis on middle- and middle-upper class urban population in China; therefore, our off-site marketing campaign or activities should be conducted on urban areas, and more specifically, on places that are most accessible to our target consumers- middle- and upper-middle class people, such as on a city's central business centers where there are full with middle- and high-income white collar population.

## **Operation and Development Plans**

### **Company's Structure and Operation Plan**

The following is a list of the departments that the company will establish, along with which are the important positions and the function descriptions of all departments:

- **Marketing Department (Key Position: Digital Marketing Manager):** Well know market trend, consumer needs and effective marketing strategy in the Digital Age; therefore, the department can create effective and efficient both online and off-line marketing campaigns and marketing plans that help with sales and

consumer relationship

- **Operations Department (Key position: Digital Operations Manager and Web):**

Firstly, the Operation Department is responsible for web design and customer experiences, ensuring that the web design and function work seamlessly from the shoppers' perspective; more specifically, the department's tasks include website layouts, product listings, categorization and filtering design. Secondly, during sales seasons and events, the operation department should verify discount code functionally.

- **IT (Key position: web developer and IT technicians):** works to utilize digital infrastructure and corresponds with team of operation department to update website design and function changes. The department is also responsible for data storage and security

- **Customer Service (Customer Service Representatives):** responsible to conduct effective communication with customers and sellers, and to process their' requests and questions, answering live chat, phone call and emails from both customers and sellers, solving questions and requests of them relevant to product shipping, return, pricing, exchange and so on.

- **Sales & Vetting (Sales Manager and Vetting committee members):** the department consists of two teams, sales team and vetting committee; the former is responsible to product allocation, promotional and sales events, and it is also in charge of amplifying and updating revenue structures; the latter is responsible to sellers, verifying seller's applications and conducting background check for each

register and applying sellers.

- **CEO:** is responsible for overseeing the entire operation of the online market place, for participating into strategy and budget decision-making process.

The company will not establish **Accounting and Finance Department**, the service is going to be outsourced to a third party, a professional accounting firm. For a middle market or start-up company, outsourcing will provide us a cost-effective way to improve the finance and accounting function, for that the third party, the professional accounting firm, has substantial finance and accounting professionals, stronger compliance measures and enhanced technologies, which the Tranquil could benefit from. And, outsourcing will also allow our company to scale resource up or down as needed with no responsibility to pay salaries to hire, train and maintain accounting staff.

### **Product development Plan**

As mentioned above in the sections of company and product descriptions, products of the Tranquil are all services provided on our online trade marketplace, such as synthesizing independent ceramic sellers and artists into one place- Tranquil- to meet potential buyers and ceramic lovers, vetting the condition of ceramics selling at the Tranquil and background checking the credibility of their sellers; therefore, enhancing and frequently updating the service qualities and features on our online platform to meet the ever-changing and increasing requirements of our customers (both sellers and buyers) is our goal of product development.



### **Product Development Schedule (Tranquil is about being found on August 2019)**

- i. **Aug 2019 – Aug 2020:** All services that a basic ecommerce business needs, such as payment processing service, website design, product categorization, searching filtering, will all be ready on our online platform. By the end of 2019, sellers would be able to place their products on the Tranquil and buyers would be able to make purchase online. Also, buyers could easily find preferred type of ceramic art or design products through our advanced categorizations and searching filters.
- ii. **Sept 2020 – Sept 2021:** We will continue to increase the number of sellers on the Tranquil, as well as the types of ceramic art and design products. **A content-driven page titled Ceramic Community** different from the trading webpage, which functions as a social media webpage of ceramic artists, sellers, buyers and lovers. On this webpage, editorial articles, such as about our new series of ceramic art and design products that are about being available on the Tranquil will be published, introduction of our off-line activities and events, or interviews of ceramic artists and sellers, all of which would help to create more interactions and communication between sellers and consumers. **Off-line activities** will begin and include gallery exhibitions, ceramic-making class (paid), ceramic artist lectures and studio visits **Paid Pricing Service feature** will be developed for those who want more accurate pricing for their products and thus help with the sale.
- iii. **Oct 2021 – Oct 2022:** **Asking a Commission Service** will allow those who

want to customize their purchase to contact artist they like, who is also available to take commission, to commission a ceramic art. **Commission fee will be removed** (originally is 5%), **listing fee** will be charged, and **Membership Plans**, varied in prices, will be developed to provide paid members with exclusive features and services. For high-end customers and ceramic art that has investment potential, **art advisory services** will be provided. Tranquil's **mobile app and payment features** will be developed, by this time con

### **Market Plan and Schedule**

- i. **Aug 2019 – Aug 2020:** began online marketing and advertising campaigns on google, Baidu.com, Facebook and other social media websites
- ii. **Sept 2020 – Sept 2021:** Ads are placed on subway stations of Beijing, Shanghai and Shenzhen. Opening galleries in Beijing, Shanghai and Shenzhen, those major Chinese cities, that will provide spaces for our off-line marketing campaigns, such as ceramic art exhibitions, ceramic-making classes and guest lectures.
- iii. **Oct 2021- Sept 2025:** Ads are placed on Didi cars and airports of our target cities, and experience stores will be opened in Shanghai and Beijing, where will provide consumers with full experiences of our brand concept, ceramic designs and quality.

## Financials

### Revenue Structures:

- Commissions
- Product Listings (Free for the first 50 items of ceramic art and design products, exceeding 50 items, each will be charged \$3 or \$30 per month for company)
- Off-line Activities  
  
Paid ceramic art – making class 500 RMB (\$71) /semester or 50 RMB (\$8) /class, gallery exhibition opening reception and ceramic artist lecture, the latter two are free to registered users and non-free to the public)
- Paid Pricing Services (\$100/year or \$50/10 piece)
- Membership Plans (for seller): \$30/month
- Advertising Services for Sellers

#### **7-day Homepage promotion (\$100/month)**

#### **Artist of the day (\$80/day)**

**Paid Banner Advertising:** Banner advertisement are scrolling banners. their prices are varied in different locations of the webpages and in different sites, banners on side edges of homepages are \$200/month or \$2,500/year, and that on bottom of homepages are \$150/month or 1,500/yr. Banners on non-homepages, whose prices are also varied in different locations of site, edged banners are \$100/month or \$1,000/yr., bottom banners are \$50/month or \$500/yr.

- **Advertising packages** (include either two of the advertising services listed above)-

\$500/month and \$3,500/yr.

**Cost Structures (all cost estimates were made based on the consideration of average costs of the following areas in China):**

- Office Cost

Considering budget and cost, during the first five to six years of development of the Tranquil, we will need to rent office with WeWork's space located in Beijing, office rent is over 5,000 RMB/month (\$800/month)

- Domain Name (\$10/YEAR)

- Hosting (\$3.50-\$250/Month or \$29/Month Average)

- Packing Material and Shipping

Packing materials (foam sheets, polyethylene foams and box) are around 35 RMB or \$5 for each, with contract price might be lowered to 10 RMB. And, Shipping cost is 5 RMB for fragile item, contract price is 3 RMB/item<sup>26</sup>.

- Payment Processing: 2-3% of Revenue

- Marketing

Advertising on each social media channel can cost \$1,000 per month to \$20,000 per month. Average cost of advertising on subway stations of Beijing and Shanghai is around 20,000 RMB/month.

- Labor cost (more than 10% of total revenue)

- App development ( $\geq$  \$100,000)

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<sup>26</sup> SF-Express, Shipping Cost, available Nov 24, 2015, Accessed Dec 8, 2018, [http://www.sf-express.com/CN/ZH/dynamic\\_function/price/](http://www.sf-express.com/CN/ZH/dynamic_function/price/)

- Gallery Rents: average cost of renting a gallery space is over 800,000 RMB/yr.(\$85,714/yr.) in CBD areas of Beijing<sup>27</sup>.
- Accounting and Finance Outsourcing (less than \$36,000)

\*\*Numbers below are estimated costs if licensing negotiations prove unsuccessful, and we are expected to pay full cost

	Year 1	Year 2	Year 3
Estimated Revenues (\$)			
Commissions	200,000	206,000	N
Offline Activities	8,300	8,549	9,403.90
Paid Pricing Services	6,000	6,180	6,798
Membership Plans	1,800	1,854	2039.4
Advertising Services	140,000	144,200	158,620
Advertising Packages	215,000	221,450	243,595
Product Listing Fees	N	N	226,600
Total (\$)	571,100	588,233	647,056
Cost (\$)			
Office Cost	9,600	9,600	9,600
Domain Name	10	10	10
Hosting	348	348	348
Packaging Materials and Shipping	5,715	5,715	5,715
Payment Processing	11,422	11,422	11,422
Marketing	118,285	118,285	118,285
Labor Cost	57,110	57,110	57,110
Gallery Rents	85,714	85,714	85,714
Accounting and Finance Outsourcing	36,000	36,000	36,000
App Development	N	N	100,000
Net Income	324,204	324,204	424,204
Gross Income	246,896	264,029	222,852

Figure 8 Cost Projection in 3-year

<sup>27</sup> 58 同城，画廊出租信息， available Jan 8, 2018, Accessed on Dec 8, 2018, [https://bj.58.com/sou/jh\\_798%E7%94%BB%E5%BB%8A%E5%87%BA%E7%A7%9F/](https://bj.58.com/sou/jh_798%E7%94%BB%E5%BB%8A%E5%87%BA%E7%A7%9F/)

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